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FORE!KIDS FOUNDATION, INC.
d/b/a ZURICH CLASSIC OF NEW ORLEANS

FINANCIAL STATEMENTS

September 30, 2007

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 4/16/08

FORE!KIDS FOUNDATION, INC.
d/b/a ZURICH CLASSIC OF NEW ORLEANS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors

Fore!Kids Foundation, Inc. d/b/a Zurich Classic of New Orleans

We have audited the accompanying balance sheet of Fore!Kids Foundation, Inc. d/b/a Zurich Classic of New Orleans (the "Foundation," a Louisiana non-profit organization) as of September 30, 2007, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of September 30, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2008, on our consideration of the Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

January 25, 2008

Wegmann Dazet & Company

FORE!KIDS FOUNDATION, INC. D/B/A ZURICH CLASSIC OF NEW ORLEANS

BALANCE SHEET

September 30, 2007

2007

ASSETS

Current assets

Cash	\$ 671,780
Accounts receivable	300,860
Inventory	150,871
Contributions receivable	500,000
Prepaid expenses	35,082
Investments	<u>1,027,683</u>
Total current assets	<u>2,686,276</u>

Property and equipment, at cost less accumulated depreciation

511,388

Total assets

\$ 3,197,664

LIABILITIES

Current liabilities

Accounts payable	\$ 77,148
Accrued expenses	58,882
Contributions payable	508,250
Deferred revenue	1,840,610
Short - term debt	<u>280,852</u>
Total current liabilities	<u>2,765,742</u>

Total liabilities

2,765,742

NET ASSETS

Net assets - unrestricted

431,922

Total liabilities and net assets

\$ 3,197,664

See accompanying Notes to Financial Statements.

FORE!KIDS FOUNDATION, INC. D/B/A ZURICH CLASSIC OF NEW ORLEANS
STATEMENT OF ACTIVITIES

For the Year Ending September 30, 2007

	2007	%
Tournament revenues	\$ 11,436,761	100.0
Direct tournament expenses	10,197,933	89.2
Indirect tournament expenses	<u>1,656,811</u>	14.5
Tournament net loss	<u>(417,983)</u>	(3.7)
Other income (expense)		
Investment income	66,886	0.6
Interest expense	(36,174)	(0.3)
Other income	76,366	0.7
Gain on sale of securities	<u>84,372</u>	0.7
Total other income	<u>191,450</u>	1.7
Deficit of revenue over expenses before donations	(226,533)	(2.0)
Donations to charitable organizations	<u>559,109</u>	4.9
Change in net assets before unrealized gain on investments	<u>(785,642)</u>	(6.9)
Unrealized gain on investments	<u>3,424</u>	0.0
Change in net assets	<u><u>\$ (782,218)</u></u>	(6.8)
Net assets		
Beginning of year	\$ 1,214,140	
Change in net assets	<u>(782,218)</u>	
End of year	<u><u>\$ 431,922</u></u>	

See accompanying Notes to Financial Statements.

FORE!KIDS FOUNDATION, INC. D/B/A ZURICH CLASSIC OF NEW ORLEANS

STATEMENT OF CASH FLOWS

For the Year Ended September 30, 2007

	2007
Cash flows from operating activities:	
Change in net assets	\$ (782,218)
Adjustments to reconcile to net cash from operating activities:	
Depreciation	83,179
(Increase) decrease in operating assets:	
Accounts receivable	(254,254)
Contributions receivable	(69,626)
Inventory	(150,871)
Prepaid expenses	(35,082)
Increase (decrease) in operating liabilities:	
Accounts payable	(10,420)
Accrued expenses	(7,141)
Contributions payable	(633,588)
Deferred revenues	290,610
Net cash used by operating activities	<u>(1,569,411)</u>
Cash flows from investing activities:	
Purchase of property and equipment	(152,303)
Purchase of investments, net	(95,754)
Net cash used by investing activities	<u>(248,057)</u>
Cash flows from financing activities:	
Borrowings under short-term debt	800,000
Repayments under short-term debt	(813,203)
Net cash used by financing activities	<u>(13,203)</u>
Net decrease in cash	(1,830,671)
Cash at beginning of year	<u>2,502,451</u>
Cash at end of year	<u>\$ 671,780</u>

See accompanying Notes to Financial Statements.

FORE!KIDS FOUNDATION, INC.
d/b/a ZURICH CLASSIC OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2007

1) Nature of operations

The Fore!Kids Foundation, Inc. (the Foundation) was incorporated on September 20, 1990 under the laws of the State of Louisiana as a non-profit corporation and does business as the Zurich Classic of New Orleans. The primary purpose of the Foundation is the promotion of social welfare for the community of New Orleans by promoting, managing and sponsoring an annual PGA TOUR golf tournament. The tournament is sponsored under a written agreement with PGA TOUR, which details the terms and conditions of the tournament, prizes to professionals, the financial obligations and general division of duties of the parties.

2) Summary of significant accounting policies

The significant accounting policies followed by the Foundation are summarized as follows:

a) Accrual basis

The financial statements of the Foundation have been prepared on the accrual basis of accounting.

b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

c) Classification of net assets

Financial Accounting Standards Board Statement No. 117 entitled Financial Statements for Not-for-Profit Organizations requires that net assets and changes in net assets be reported for three classifications - permanently restricted, temporarily restricted and unrestricted - based on the existence or absence of donor imposed restrictions of these assets to a particular purpose. As the Foundation has a single purpose - the operation of the annual golf tournament and the donation of the proceeds thereof to charitable organizations - all net assets are classified as unrestricted.

d) Cash and cash equivalents

Cash and cash equivalents include cash and highly liquid marketable securities with original maturities of 90 days or less.

FORE!KIDS FOUNDATION, INC.
d/b/a ZURICH CLASSIC OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2007

2) Summary of significant accounting policies (continued)

e) Inventory

Inventories are stated at the lower of cost or net realizable value. Cost has been determined by the weighted average method.

f) Accounts receivable

Trade accounts receivable are stated at the amount the Foundation expects to collect. The Foundation maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. If the financial condition of the Foundation's customers were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. The Foundation's estimate for the allowance for doubtful accounts is based on a review of the current status of accounts receivable. The Foundation believes all trade receivables are fully collectible, therefore no allowance exists at September 30, 2007.

g) Contributions receivable

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Foundation uses the allowance method to determine uncollectible contributions receivable. The allowance is based on prior years' experience and management's analysis of specific contributions made. The Foundation believes all contribution receivables are fully collectible, therefore no allowance exists at September 30, 2007.

h) Depreciation

The depreciation methods used by the Foundation are as follows:

Leasehold improvements	Straight-line	7-10 years
Equipment	Straight-line, accelerated methods	5-7 years

Property and equipment are stated at cost, less accumulated depreciation. Additions, improvements and expenditures for maintenance that add materially to productive capacity or extend the life of an asset are capitalized. Other expenditures for maintenance are charged to operations in the year incurred.

FORE!KIDS FOUNDATION, INC.
d/b/a ZURICH CLASSIC OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2007

2) Summary of significant accounting policies (continued)

i) Contributed services

Members of the tournament's executive committee and other volunteers have made significant contributions of their time to assist in the tournament's operation and related charitable programs. The value of this contributed time is not recorded in these financial statements because it is not susceptible to objective measurement or valuation.

The Foundation also offers various rights and services during the tournament to several of its suppliers in return for services and products provided by these suppliers such as use of rental cars, rental of equipment, airplane tickets, catering services, and other services and products. These non-cash trades are recorded at the value of the service given up by the Foundation and totaled approximately \$191,000 during 2007.

j) Investments

FASB Statement No. 124 entitled *Accounting for Certain Investments Held by Not-for-Profit Organizations* requires investments to be carried at fair value. At September 30, 2007, \$1,027,683 was invested in various equity securities.

3) Contributions receivable

Contributions receivable consists of the following:

	<u>2007</u>
Bush/Clinton Katrina fund	\$250,000
Phil & Amy Mickelson Charitable Foundation	250,000
	<u>\$500,000</u>

4) Property and equipment

Property and equipment consist of the following:

	<u>2007</u>
Cost	
Equipment	\$ 218,700
Leasehold improvements	<u>687,768</u>
Total cost	906,468
Less accumulated depreciation	<u>395,080</u>
Property and equipment	<u>\$ 511,388</u>

FORE!KIDS FOUNDATION, INC.
d/b/a ZURICH CLASSIC OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2007

5) Agency transactions

The Foundation, serving as an agent capacity, receives funds from various charity golf tournaments and other events throughout the year. Those funds are then distributed to the appropriate charity. The total amount received during 2007 was approximately \$481,000 of which \$481,000 was distributed to the various charities.

6) Concentration of credit risk

Financial instruments that potentially subject the Foundation to concentration of credit risk consist principally of cash and investments. The Foundation at times has cash on deposit at financial institutions that is in excess of federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000.

The Foundation has invested investment accounts that contain cash and securities. Balances are insured up to \$500,000 with a limit of \$100,000 for cash, by the Securities Investor Protection Corporation (SPIC).

The Foundation has not experienced any losses in such accounts. The Foundation has no policy requiring collateral or other security to support its deposits.

The Foundation has no policy requiring collateral or other security to support its accounts receivable.

As of September 30, 2007, the Foundation had three customers that comprised approximately 84% of total accounts receivable and contributions receivable.

7) Tournament income

The Foundation's primary source of revenue is the sale of tournament sponsorships and other rights. The sponsorship agreement with Zurich calls for, among other things, an annual sponsorship fee, guarantee of the purchase of a specified number of advertising units from the networks broadcasting the Tournament, and the right to have the Zurich name included in the tournament name. Payments on behalf of Zurich were made to the Foundation totaling \$3,100,000 for the year ended September 30, 2007. The term of the agreement is effective until the 2010 tournament. Included in deferred revenue of \$1,840,610 at September 30, 2007, are Zurich sponsorship amounts for the subsequent year's tournament.

8) Contributions payable

Included in contributions payable of 508,250 for September 30, 2007, are contributions designated by the Foundation.

FORE!KIDS FOUNDATION, INC.
d/b/a ZURICH CLASSIC OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2007

9) Donations

The Foundation makes donations to local and children's charities based on requests received during the year. During 2007, the Foundation donated \$559,109 to these charities, of which \$45,775 were donations of tickets and other tournament packages which were raffled by the requesting organizations. The proceeds of the raffles were donated to charitable organizations. In addition to these donations, various organizations contributed \$50,000 directly to charities on behalf of the Foundation.

10) Statements of cash flows supplementary disclosures

2007

Cash paid for interest expense was as follows:

Interest expense	\$ <u>37,774</u>
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Supplemental disclosure of non-cash transactions:

Refinancing of debt	\$ <u>287,592</u>
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11) Short-term debt

Short-term debt consists of the following at September 30, 2007:

2007

Note payable to a bank. Interest at prime plus 1%. Monthly payments of \$3,000. This note matures March 2008 with any unpaid balance due at maturity.	\$280,852
	<u>\$ 280,852</u>

12) Leases

The Foundation leases office space under a noncancellable operating lease which expires in June 2014.

The following is a schedule of future aggregate minimum lease payments for all noncancellable operating leases payable over the remaining lives of the leases:

<u>Year ending September 30,</u>	<u>Amount</u>
2008	\$110,000
2009	80,000
2010	80,000
2011	80,000
2012	80,000
Subsequent years	120,000

FORE!KIDS FOUNDATION, INC.
d/b/a ZURICH CLASSIC OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2007

13) Income taxes

No provision for federal and state income taxes has been reflected in the accompanying financial statements because the Foundation is exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code.

14) Advertising

The Foundation expenses advertising as incurred. Advertising expense was \$703,824 for the year ended September 30, 2007.

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Fore!Kids Foundation, Inc. d/b/a Zurich Classic of New Orleans

We have audited the financial statements for Fore!Kids Foundation, Inc. d/b/a Zurich Classic of New Orleans (the "Foundation"), a Louisiana nonprofit organization as of and for the year ended September 30, 2007, and have issued our report thereon dated January 25, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Foundation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Foundation's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Foundation's financial statements that is more than inconsequential will not be prevented or detected by the Foundation's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Foundation's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and other matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, others within the organization and the Louisiana Legislative Auditor Office and is not intended to be and should not be used by anyone other than these specified parties.

January 25, 2008

Wegmann Dazet & Company

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FORE!KIDS FOUNDATION, INC.
d/b/a ZURICH CLASSIC OF NEW ORLEANS
SCHEDULE OF FINDINGS

September 30, 2007

Section I Summary of Auditors' Report

A) Financial Statements

Type of auditors' report issued: Unqualified

Internal Control over financial reporting:

- | | | | | |
|--|-------|-----|-----|----|
| • Material weakness(es) identified | _____ | Yes | _X_ | No |
| • Significant deficiency(s) identified that are not considered to be material weaknesses | _____ | Yes | _X_ | No |
| • Noncompliance material to financial statements noted | _____ | Yes | _X_ | No |

B) Federal Awards

For the year ended September 30, 2007, Fore!Kids Foundation, Inc. d/b/a Zurich Classic of New Orleans was not subject to OMB Circular A-133 Audits of States, Local Government and Non-Profit Organizations.

Section II Financial Statement Findings

There were no financial statement findings required to be reported for the year ended September 30, 2007.

Section III Federal Aware Findings and Questioned Costs

Not applicable.

FORE!KIDS FOUNDATION, INC.
d/b/a ZURICH CLASSIC OF NEW ORLEANS
SCHEDULE OF PRIOR YEAR FINDINGS

September 30, 2007

Section I Internal Control and Compliance Materials to the General Purpose Financial Statements

For the fifteen month period ended September 30, 2006, there were no internal control or compliance issues reported or noted.

Section II Internal Control and Compliance Material to Federal Awards

For the fifteen month period ended September 30, 2006 Fore!Kids Foundation, Inc. d/b/a Zurich Classic of New Orleans was not subject to OMB Circular A-133, Audits of States, Local Government and Non-Profit Organizations.

Section III Management Letter

A management letter was not issued in connection with the audit of the fifteen month period ended September 30, 2006.

REPORTS BY MANAGEMENT

FORE!KIDS FOUNDATION, INC.
d/b/a ZURICH CLASSIC OF NEW ORLEANS
MANAGEMENT'S CORRECTIVE ACTION PLAN
September 30, 2007

Section I Internal Control and Compliance Material to the General Purpose Financial Statements.

For the year ended September 30, 2007, there were no internal control or compliance issues reported or noted.

Section II Internal Control and Compliance Material to Federal Awards.

For the year ended September 30, 2007, Fore!Kids Foundation, Inc., d/b/a Zurich Classic of New Orleans was not subject to OMB Circular A-133, Audits of States, Local Government and Non-Profit Organizations.

Section III Management Letter

A management letter was not issued in connection with the audit of the year ended September 30, 2007.